Disbursal of educational loan

*384. SHRI SUDARSHAN AKARAPU: Will the Minister of FINANCE be pleased to state:

(a) the total number of loans disbursed to students studying in rural and semi-urban areas by Public Sector Banks during the last three years;

(b) whether RBI has set any targets under priority sector lending for advancement of educational loans to rural youth by Public Sector Banks;

(c) if so, the details thereof;

(d) if not, the reasons therefor;

(e) whether it is a fact that there is a wide disparity between urban and rural areas regarding disbursal of educaitonal loans; and

(f) what measures Government propose to take to bridge the rural-urban divide in this regard?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) to (f) A Statement is laid on the Table of the House.

Statement

(a) The total number of education loans disursed in rural and semi-urban areas for the last three years is given below:—

Year	Education Loan disbursed in Rural & Semi-Urban Areas (No. of Accounts)	Percentage to total education loan by Public Sector Banks (No. of accounts)
2003-04	51337*	20.45*
2004-05	99678*	27.72*
2005-06	161952*	31.98*

Note: *Figures are are 17 Public Sector Banks only as all public Sector Banks do not call for separate information on loans disbursed to students studying in rural and semi-urban areas.

(b) to (d) Education loans are covered under Priority Sector. No specific targets for education loans for Public Sector banks are allocated. However, guidelines on education loan scheme emphasize that no deserving/ meritorious students is denied opportunity to pursue education for want of financial support.

(e) and (f) The gap between rural and urban areas in regard to disbursal of educaiton loan is gradually declining with growing awareness among rural people about the scheme. Government closely monitor the progress of disbursal of such loans and prompt redressal is undertaken in case of denial to any deserving student. Banks' Chairman and managing Directors have also been advised to ensure that there is no tardiness in sanctioning loans to needy and meritorious students.

SHRI SUDARSHAN AKARAPU: Sir, paresently, bankers are hesitating to extend educational loans due to fear of their forming into NPAs. I want to know from the hon. Minister whether the Government propose to set up a credit guarantee fund, on the lines of the one existing for the SSI sector, to instil confidence among bankers in helping students, particularly the students belonging to weaker sections and economically backward classes residing in rural and semi-urban areas.

SHRI P. CHIDAMBARAM: Sir, there is no proposal to set up a credit guarantee fund. The Government has full confidence in the students of this country. We have confidence that after completing his or her education and the student gets a job, the student will repay the loan. It cannot be said that banks across the board are reluctant to extend student loans. Just look at the numebrs. At the end of march, 2004, there were 3,19,337 accounts outstanding, at the end of September, 2006, i.e., in a period of two years and six months, this number more than doubled. The number today is, 7,95,938 student accouns ae outstanding. There is no proposal to set up any other kind of fund, at the moment.

SHRI SUDARSHAN AKARAPU: Sir, please state the reasons for not fixing any specific targets for public sector banks in disbursal of educational loans, when it is covered under the priority sector. I want to know from the hon. Minister whether the RBI proposes to fix targets for educaitonal loans, as is done in agriculture, and more specifically for the weaker sections, other backward classes and economically backward sections.

SHRI P. CHIDAMBARAM; Sir, there is no proposal to fix any targets. The banks are doing well. In 2004-05 upon 2003-04, the growth rate in accounts is 46.62 per cent. In 2005-06, upon 2004-05, the growth rate is 45.22 per cent. When banks are lending, the growth rate is impressive, there is no need to fix targets. It is under the priority sector and banks are giving loans for education.

SHRI RAVULA CHANDRA SEKAR REDDY: Sir, I agree with the hon. Minister that the number of students covered under this programme is increasing...(*Interruptions*)...Sir, I would like to inform the hon. Minister, since I have my own experience that the students belonging to rural areas are unable to get loans as liberally as the students of urban areas. in a given case, the Manager wanted security of urban property for a rural students. I don't know whether there is any need to hae a collateral security for this purpose. I would like to know from the hon. Miniser whether the Government is going to simplify the procedure so as to help the rural students. I also want to know rom the hon. Minister whether he has received any complaint regarding disbursement of loans to students. If so, what action has been taken?

SHRI P. CHIDAMBARAM: Sir, from my answer, kindly note the number of loans disbursed to rural and semi-urban areas, when is the permanent address of students, therefore, one can draw the inference that these loans are going to students from rural and urban areas, broadly. The number has increased from 51.337, at the end of 2003-04 to 1,61,952; it is three times. Therefore, while there is a gap between urban students and rural students, the gap is narrowing now, and I am confident that this gap will continue to narrow as there is greater awareness among students in rural and semi-urban areas, where they are eligible for loans, they can approach the banks for loans, and banks (*Interruptions*)... Of course, I do receive complaints. I have got a whole thick file, i think, now it is running to the second or third file, where every complaint that I receive on educaitonal loans is addressed, and in about seven out of ten cases, the loans is disbused after we pull up the Manager. I am not saying that there are no complaints. In a scheme of this magnitude, there will be some complaints. The point is, ...(*Interruptions*)...

SHRI RAVULA CHANDRA SEKAR REDDY: Sir, about security.....

SHRI P. CHIDAMBARAM: On security, there are guidelines. Up to four lakh, there is no security; beyond four lakh, Some security has to be given.

SHRI P.R. RAJAN: Thank you, Mr. Chairman, Sir. Educational loan is provided to help students who are economically weak, to continue their higher education. The interest rates levised by banks are different from bank to bank. Considering it to be a welfare measure, I would like to know whether the hon. Minister would be pleased to issue a direction to levy

reduced uniform rate for such educational loans with simple interest as in the case of agricultural loans.

SHRI P. CHIDAMBARAM: Sir, banks have agreed to give loans at the benchmark PLR rate up to Rs. 4 lakhs. Most students, in fact, a vast majority of students, do not take a loan beyond Rs. 4 lakhs. So, loans are available at benechmark PLR rate. There is no proposal of the Government to interfere with the interest rate.

Reluctance of banks to lend to minorities

*385. SHRI C. PERUMAL: Will the Minister of FINANCE be pleased to state:

(a) whether banks are reluctant to land to minorities;

(b) if so, the reasons therefor; and

(c) the steps taken to ensure adequate credit to minorities?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) to (c) A Statement is laid on the Table of the House:

Statement

(a) and (b) The Reserve Bank of India (RBI) have reported that banks' lending to the minority communities has been increasing over the year. The data on advances by the Public Sector Banks to the minority communities during the last five years are as under:—

Amt. (Rs. in crores)

Year	PrioritySector Adcances (PS) (B)	Share of Minority Communities in Priority Sectory (in all districts)	
		Amt. (A)	% share to PS (A/B)
March 2002	1,71,484	16,501	9.62
March 2003	1,99,786	19,715	9.87
March 2004	2,44,456	23,539	9.63
March 2005	3,07,046	30,578	9.96
March 2006	4,10,379	38,402	9.35

(Figures rounded off to nearest crore)